PACIFICORP

R. Jeff Richards
Vice President and General Counsel
201 S. Main Street, Suite 2400
Salt Lake City, UT 84111
801-220-4734 Office
801-220-4058 Fax
jeff.richards@pacificorp.com

August 15, 2014

VIA OVERNIGHT DELIVERY

Idaho Public Utilities Commission
472 West Washington
Boise, ID 83702-5983

Attention: Jean D. Jewell
Commission Secretary

Re: PacifiCorp Notice of Affiliate Transaction
Case No. PAC-E-05-8

Dear Ms. Jewell:

This letter will serve as notice pursuant to Commitment I 17(2), incorporated in the Idaho Public Utilities Commission Order No. 29973 issued February 13, 2006, as supplemented by Order No. 29998 March 14, 2006, in the above-referenced proceeding, approving the acquisition of PacifiCorp by MidAmerican Energy Holdings Company (MEHC)[1], of an affiliate interest transaction with Wells Fargo Bank, N.A. (Wells Fargo) for natural gas hedging products. A copy of the International Swap Dealers Association (ISDA) Master Agreement, as amended by the First Amendment to ISDA Master Agreement, the Amendment Adopting, Incorporating and Amending the ISDA August 2012 Dodd-Frank (DF) Supplement and the Amendment Adopting, Incorporating and Amending the ISDA March 2013 DF Supplement is included with this Notice as Confidential Attachment A. Throughout this Notice, PacifiCorp will refer to the Master Agreement and Amendments collectively as the "ISDA Agreement." The ISDA Agreement contains commercially-sensitive terms and conditions, the disclosure of which could erode PacifiCorp's bargaining power in the future. Accordingly, the ISDA Agreement is submitted under seal, and PacifiCorp requests that it be made confidential. PacifiCorp is required under the ISDA Agreement to maintain the confidentiality of the entire agreement.

PacifiCorp is a wholly-owned indirect subsidiary of Berkshire Hathaway Energy Company (BHE). BHE is a subsidiary of Berkshire Hathaway, Inc. (Berkshire Hathaway). As of March 31, 2010, Warren E. Buffet (an individual who may be deemed to control Berkshire Hathaway), Berkshire Hathaway, various subsidiaries of Berkshire Hathaway and various employee benefit plans of Berkshire Hathaway subsidiaries together held an interest in excess of 5 percent in Wells Fargo. Therefore, Berkshire Hathaway's ownership interest in Wells Fargo may create an affiliated interest in some PacifiCorp jurisdictions.

Wells Fargo is a publicly traded company with diverse operations, including, among other things, offering natural gas hedging products and other financial instruments. PacifiCorp

[1] As of April 30, 2014, MEHC was renamed Berkshire Hathaway Energy.

entered into the ISDA Agreement with Wells Fargo in 2004, prior to the existence of an affiliate relationship. Additionally, PacifiCorp has been reporting transactions under the ISDA Agreement in the annual affiliate interest transaction report since 2009. To ensure the appropriate transparency into PacifiCorp's transactions with affiliates and to ensure consistent treatment of affiliate contracts, PacifiCorp now provides notice of the ISDA Agreement with the Commission.

The ISDA Agreement is the master agreement under which PacifiCorp and Wells Fargo enter into commodity derivative transactions with each other. In the recent past, PacifiCorp has entered into natural gas financial hedge transactions with Wells Fargo under the ISDA Agreement. The First Amendment to the ISDA Master Agreement was an ordinary course revision, amending the threshold amounts for collateral posting requirements for such transactions. The Amendment Adopting, Incorporating and Amending the ISDA August 2012 DF Supplement and the Amendment Adopting, Incorporating and Amending the ISDA March 2013 DF Supplement added certain compliance-related representations and obligations of the parties relating to regulations promulgated by the Commodity Futures Trading Commission under the federal Dodd Frank Act of 2010.

The ISDA Agreement itself is a master trading enabling agreement that does not, standing alone, represent an exchange of cash flows, goods or services; rather, individual transactions are entered into under the master trading enabling agreement umbrella of the ISDA Agreement. This allows the parties to integrate the multiple individual transactions of their entire swap trading relationship into a single agreement, so that in the event of a business failure of the counterparty, the agreement would be required to be assumed or rejected in whole under the Bankruptcy Code. This prevents the counterparty from choosing to perform only the transactions that are profitable to it, while rejecting those transactions that are not profitable to it. By unifying and allowing netting and setoff across the entire swap trading business relationship, the ISDA Agreement is an important and useful risk mitigation tool.

As noted above, in the recent past, PacifiCorp has used the ISDA Agreement to enter into natural gas commodity swaps with Wells Fargo to hedge/mitigate against potential significant increases in natural gas prices. Wells Fargo is just one of many counterparties with whom PacifiCorp, like the many other utilities similarly situated, can transact in financial hedging products. Before transacting with Wells Fargo under the ISDA Agreement, PacifiCorp first seeks bids and otherwise reviews the applicable markets and available counterparties to determine the desirability of the proposed transaction with Wells Fargo. This review includes confirming that potential counterparties are approved from a credit standpoint. Once the parties agree to a transaction, a Confirmation is executed under the ISDA Agreement; the Confirmation sets forth the terms and prices of the transaction. Individual transactions are competitively priced.

The number of annual transactions under the ISDA Agreement varies. Under the ISDA Agreement, PacifiCorp to date has entered into transactions with Wells Fargo within short time frames. Filing notices of each individual transaction under the ISDA Agreement would be cumbersome and inefficient. The natural gas and energy markets in which PacifiCorp transacts and would seek hedges through individual transactions with Wells Fargo generally move on a minute-by-minute basis. A requirement for advance notice of an individual transaction would effectively be a prohibition on further transactions with Wells Fargo, since the market will have moved away from the available price by the time approval is sought or obtained. Additionally, filing notice of individual transactions may result in lost opportunities for customers by removing from being available to PacifiCorp a counterparty that would otherwise be available for hedging PacifiCorp's risks. To ensure adequate Commission review, PacifiCorp will continue to report these transactions in its annual affiliate interest report.

The amount PacifiCorp will spend annually for transactions under the ISDA Agreement varies, depending upon the terms of the individual transactions entered into under the ISDA Agreement. Depending on the structure of a transaction and the performance of the hedge, PacifiCorp could either be paying Wells Fargo, or Wells Fargo could be paying PacifiCorp.

The use of the ISDA Agreement represents a valuable risk management tool for PacifiCorp to use in managing natural gas purchases for generation plants. Hedges enable PacifiCorp to predict and budget the costs of those operations that it hedges. Without hedging, it is speculating on those prices, with revenues and budgets varying based on those prices as opposed to the performance of PacifiCorp and its assets. For PacifiCorp, natural gas hedging means that its customers have less exposure to the volatility of natural gas market price changes. Financial hedging products such as those offered by Wells Fargo allow a utility to hedge against and mitigate price volatility in the natural gas market.

Please do not hesitate to contact me if you have any questions.

Best Regards,

R. Jeff Richards
Vice President and General Counsel
PacifiCorp

Enclosures